Message from the CSO and CFO

We will promote financial strategies that are integrated with management strategies to achieve sustainable improvement in corporate value.

Seiji Shintani

Chief Strategy Officer (CSO) & Chief Financial Officer (CFO)
Head of Financial Company Preparation Office
Director & Senior Managing Executive Officer

Optimal Resource Allocation toward Strategic Advancement

I was appointed CSO and CFO, and Head of Financial Company Preparation Office of the Company in 2020. After beginning my career in the banking and consultancy sectors, I have been involved in corporate planning and new business development in the entertainment industry and at food and beverage-related companies. Drawing on such experience, I will strive to increase our corporate value by formulating management strategies and optimally allocating financial and non-financial capital to ensure the successful implementation of those strategies.

The fiscal year ended June 30, 2020 turned out to be a challenging business environment, with weak consumer spending due to the consumption tax rate hike in October 2019 compounded by record rainfall and other extreme weather conditions, and further exacerbated by the global spread of COVID-19. It was against this backdrop that we experienced unexpected changes in our business environment, such as the evaporation of duty-free sales due to inbound travel restrictions. However, as a result of committing ourselves fully to our corporate principle of “The Customer Matters Most,” such as utilizing our product procurement capabilities to capture demand for essential goods, we were able to deliver an increase in sales and profits for the 31st consecutive year. Although the outlook for the fiscal year ending June 30, 2021 is expected to remain uncertain, we aim to achieve 32 consecutive years of increased sales and profits.

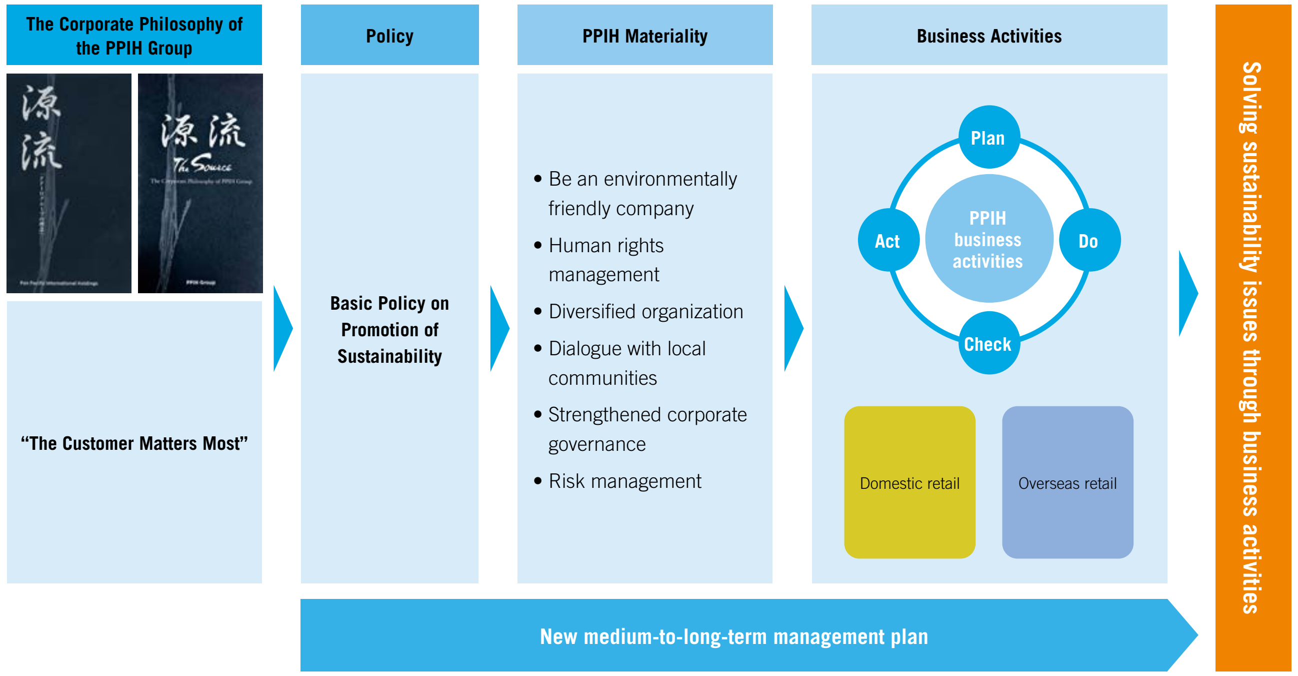
Enhancing Corporate Value by Promoting ESG Programs

In Passion 2030, our new medium-to-long-term management plan that was announced in February 2020, we have identified six priority challenges, referred to as materiality, which can impact the future value of the Company in terms of ESG (Environment, Society, and Governance). In specific terms, under Environment these are: (1) Reducing the environmental impact of the PPIH Group’s business activities; under Society: (2) Strengthening of human capital and human rights management, (3) Promoting acceptance of diversity, and (4) Enhancing dialogue with local communities; and under Governance: (5) Strengthening corporate governance structures to enhance management transparency, and (6) Strengthening risk management. In addition to collating and disclosing information on these Groupwide ESG-related activities, we have divided ESG activities into three distinct phases. These are the platform building phase, in which we promote ESG understanding to employees; the innovation phase, in which we formulate and set the next KPI in accordance with business results; and the brush-up phase, in which we analyze the results of our initiatives and plan the next approach, further deepening ESG activities with a view to becoming an ESG leading company. We will continue to steadily incorporate these efforts into our strategy, creating social value while also increasing our corporate value.

Thorough ROE Management

In Passion 2030, which concludes in the fiscal year ending June 30, 2030, we have set the targets of thoroughly implementing our corporate principle of “The Customer Matters Most” and expanding our consolidated sales of approximately ¥1.68 trillion in the fiscal year ended June 30, 2020, to a total of ¥3 trillion, comprising a solid base of ¥2 trillion in domestic sales, with ¥1 trillion in international sales. Our policy is to expand operating income from approximately ¥76 billion in the fiscal year ended June 30, 2020 to ¥200 billion by 2030, not only through organic growth but also merchandise division reform, cost optimization, and the development of new businesses such as the financial business. Toward these targets, as CSO and CFO I will promote financial strategies that are integrated with management strategies. In addition, as our balance sheet has inflated rapidly due to consolidation with the UNY Group, we will move to improve our asset efficiency and cash flow generation to an appropriate level. In particular, we recognize that improving capital efficiency is an important management issue, and while our ROE for the fiscal year ended June 30, 2020 was 14.3%, we will continue to aim for sustainable improvements in our corporate value by achieving a high ROE that exceeds the cost of capital.

PPIH Group Sustainability



In terms of future business investment, we plan to continue to invest about ¥50 billion annually in store format restructuring, including UNY Group stores, as well as in new store openings of our mainstay Don Quijote stores, new business development, and digitalization. About 75% will be invested in the expansion of the retail business and about 25% will be targeted for IT investments. We intend to allocate resources optimally through portfolio management with a high sales growth rate and capital profitability in mind. At the same time, we will not neglect to strengthen the earning power of stores by improving the cash conversion cycle, and strengthen store profitability by optimizing cost structures, among other measures.

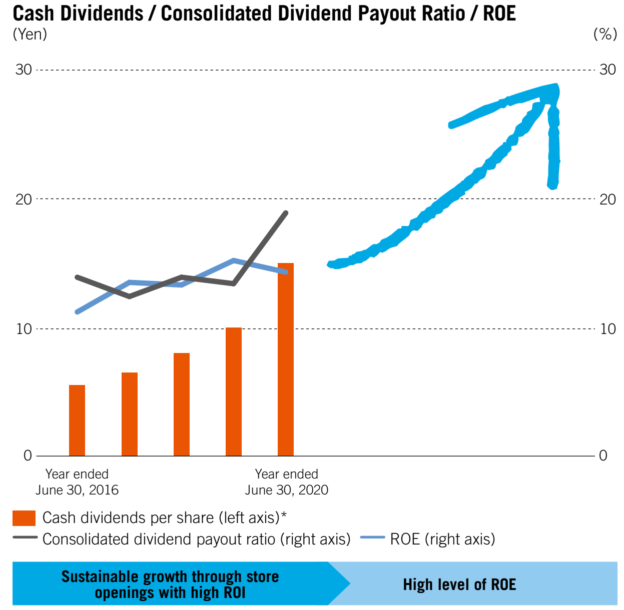
Optimizing the Balance Sheet

In addition to these efficiency-conscious investments, our policy is to optimize our balance sheet with a view to improving capital efficiency, and our basic policy is to maintain a net debt-to-equity ratio of less than 1:1 and to maintain financial discipline.

Our basic policy on shareholder returns continues to be to conduct high-return investments in our core business and issue progressive dividends that continue to increase. In the fiscal year ended June 30, 2020, we issued an annual dividend of ¥15 per share, a 50% year-on-year increase. This made for our 17th consecutive year of higher dividends and a dividend payout ratio of 18.9%. A payout ratio of more than 20.0% will be targeted over the medium term, with the aim to increase this further to 30.0% in the long term.

Going forward, our corporate principle of “The Customer Matters Most” will continue to guide us as we pursue the expansion of corporate value. At the same time, we will boost shareholder returns by increasing dividends in line with long-term growth in earnings per share.

Cash Dividends / Consolidated Dividend Payout Ratio / ROE



Returns to shareholders through high-return investments in our core business and progressive dividends continue to increase. Consolidated dividend payout ratio of more than 20% is targeted in the medium term, and 30% in the long term.

* The 4-for-1 stock split of September 1, 2019 is calculated based on the assumption that the stock split took place on July 1, 2015.